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PUBLIC SERVICE
COMMISSION

ELAM UTILITY COMPANY

459 MAIN STREET

WEST LIBERTY, KY 41472

PHONE 606-743-3695 FAX 606-743-2292



FAXED

2-25-08

3:15 pm

February 25, 2008

Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602-0615

RE: Case No. 2003-00171

Dear Ms. O'Donnell:

In regard to a letter dated February 14, 2008 from Commission Staff, and a request for answers concerning the following:

1. Elam is not remitting school tax.
I have tried several times to make this payment through the DOR. Web site, but haven't been able to get that accomplished. I have discussed this problem with a lady named Kareen... She told me that they were having problems with the website, and if I cannot get the payment to go through this week, I am to call her and although they do not like to take the payments through the mail, they will make this exception. The entire amount due will be paid within the next few days.
2. Elam had withheld from employee's salaries but not remitted taxes.
To my knowledge all the taxes have been paid (except school utility tax) as of January 15. The Sales Tax is current, the Unemployment Tax, the KY Withholding, FICA/Medicare and Federal Withholding were all paid up to Date on January 15.
3. Elam is not making payments on its' debt to the Department of Local Government.
In June 2007 we received a loan package from DLG telling us that all of the Eastern Kentucky companies that had a restructuring loan had an opportunity to make a bid to purchase all of the loans. None would be sold individually or no one could pay on their loan to keep it from going to bid.

3. Continued

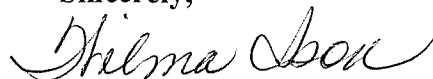
It is my understanding that Frontier Gas from Colorado has put in a bid And won the bid to purchase the loans of the 10 companies listed. Frontier Gas has approached us to purchase Elam Utility Company, but at this time, we are still waiting for that process to either take place or the contract to be null and void. I have discussed this with the other companies in my position and no one is making payments at this time.

4. Since June 2007, Elam has not recorded in its general ledger gas Purchases from its main supplier.

Elam was notified by David Rudder of North American Energy that they were merging with another company. Our contract ran out with them in October 2007. We were trying to work it out that he help me run the Imbalance through rather than take gas for the current usage. But somehow through their merger, nothing was being done. When I contacted Mr. Rudder, he said he was waiting until the gas prices went down. And also, because of the extreme winter we've had, there hasn't been storage levels that he could use to pay back the imbalance. Friday, Feb 22, Mr. Rudder did pay back, on my behalf, 10,000 DTH for a price of \$97,500.00 of which I have paid him for. After the first of March he is to repay another 10,000 DTH. I have received a contract From Seminole Energy Services LLC (North American Energy) to begin on February 21, 2008. But there again, I didn't know whether to sign a contract for another year until I am sure what Frontier Gas is doing.

I understand that Commission Staff is concerned about Elam Utility Company. But I assure you that I am doing everything possible to care of this company and my customers. Commission also requests that I meet with them on Thursday, February 28 at 10:00 a.m. I am in the process of doing billing this week, and request, if possible, that this meeting (if still necessary) be rescheduled until the second week of March.

Sincerely,



Wilma Ison, President